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ISSN 0708-5559

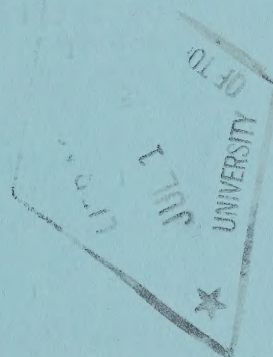
Government
Publications

LOCAL GOVERNMENT

BULLETIN 38

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DESIGNING A PAY PLAN FOR OFFICE STAFF IN SMALL MUNICIPALITIES



✓ Ontario Ministry of Intergovernmental Affairs

✓
Hon. Thomas L. Wells
Minister

D.W. Stevenson
Deputy Minister

✓
Local Government Division
Municipal Administration Branch

May 1980


To the Municipal Clerk:

Please circulate this bulletin or make copies for distribution to councillors or staff of your municipality who may be interested in the subject. Additional copies are available at a dollar each from the Publications Centre (see page 35).

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INTRODUCTION

Are you having problems in keeping your office or clerical staff?

Did you and council have difficulty deciding on an appropriate salary the last time you hired a new employee?

Do the clerical staff complain among themselves about how much they are getting paid?

Does your council resist your attempts to raise the rates of pay of your employees?

Do some of the staff feel that others are overpaid?

Do you review the rates of pay of your office employees only when you absolutely have to?

Do you feel uncomfortable when you are dealing with the salaries of your employees?

If the answer to any one of these questions is "yes", then it is possible that you have a pay problem in your municipality. If you have trouble hiring, it may mean that your hiring rates are too low; if you have trouble keeping staff, it may mean that the salaries you pay are out of line or that the municipality needs a better policy to administer the pay of its employees. If council is generally not receptive to your recommendations for salary increases, it may mean that you need a better system or procedure for administering the pay of your office employees.

This bulletin will take a look at some of the more common problems in pay administration that are experienced by municipalities in the Province of Ontario. It will show how these problems can be overcome, and how you can build a rational pay structure through which your office employees can be compensated in a regular and systematic fashion. It will show how to accomplish the three R's of pay administration - to recruit, retain and reward - in a fair and equitable manner.

There is one warning that should be given right at the outset. There is a possibility that you will discover some not-so-pleasant facts when you analyze the pay situation in your municipality. For example, you may discover that a favourite senior employee is really paid too much for the job he or she is doing. And you will have to make the difficult choice between continuing to pay too much or bringing the rate of pay into line with others. In this instance, each alternative is not pleasant. It is not the intention here to discourage you from looking at your pay situation -- it is merely to caution you so that you won't be too surprised further down the road. Remember that the objective of the exercise is not necessarily to change rates of pay -- it is to make sure that everybody is paid fairly.

This bulletin introduces an approach that is a little different from what we have used in the past. Here, we will be using an actual case from a small Ontario municipality that recently completed a project to design and implement a more realistic pay structure. By using this process, we hope to show you how you can take similar action, with equal success, in your municipality.

OBJECTIVES

Employees have an impact on all phases of a municipality's operations. This impact can be positive or negative, favourable or unfavourable. It is more likely to be positive and favourable if there is a realistic policy for dealing with a subject very dear to their hearts -- their salaries. This can be accomplished by developing a practical procedure for establishing rates of pay and a proper pay structure.

Perhaps the most important resource that a municipality has is the people that it employs. For some reason, however, the employees are seldom treated as the very important assets that they are -- and this is by no means unique to municipalities; it is common to all organizations. For example, most municipalities have a formal policy or procedure to deal with purchasing materials but nothing to deal with paying their employees.

Most municipalities do have a pay structure, but it is likely one that has evolved over the years without a deliberate, planned approach and has possibly magnified any mistakes that were made along the way. It is very much an informal pay structure, and the unfortunate thing is that it often has the opposite effect from that which a pay structure should have. Here are some of the objectives that a good pay plan can be expected to accomplish.

1. The pay structure should help a municipality to hire new employees -- not hinder it. It does this by providing a hiring rate that is reasonable in the community relative to rates paid by other employers.
2. It should provide a method that you can use to reward employees for good service over the years. An effective pay structure will permit an employee's salary to be reviewed regularly and individually -- with increases where justified by performance.

3. The pay structure will make sure that rates of pay in general are such that employees are not likely to resign for reasons of pay alone. It does this by ensuring that pay rates are competitive with those of other employers in the community and the surrounding area.
4. It will make sure that all employees are treated according to the same guidelines when it comes to pay. Thus, a valid pay structure will help to eliminate favouritism and bias.

In addition to the foregoing, a realistic pay structure will also provide a means of ensuring that pay rates are always up-to-date; it does this by providing for a regular time and method of reviewing the structure and rates. It simplifies the job of administering pay because everything is laid down in a proper procedure. It provides a means of controlling costs; costs of any kind are always easier to control using a policy than they are by using a system that does not really have any limits or guidelines. Finally, by accomplishing all of the foregoing, the pay structure will help to keep staff morale high. And when staff morale is high, it means happier, more productive workers.

THE FACTS OF THE CASE

The following are the particulars of the people and the jobs that will be used in the case. The situation and the figures given are real, but we have used fictitious names for the actual people involved. The municipality is a township having a population of approximately 5,000. There are a total of 28 employees of the municipality. Thirteen of these are the office clerical employees that are described below. The other 15 are department heads, managers and outside workers who are not included in the case.

Betty Atkins is the Secretary-Receptionist and has been employed by the municipality for ten months. This position is a junior one, and is used for training new employees. Her salary is now \$7,833 per year.

Fran Jarvis is an Office Clerk. She has been employed here for two years and three months. This position is also a junior one used for training purposes. Her annual salary is also \$7,833.

Pat Fisher is the Secretary for the planning function and her length of employment with the township is five years. Her salary is currently \$8,715.75.

Christine McKenzie is the Accounts Payable and Billing Clerk. She has been employed by the municipality for three and a half years. She also acts as Secretary to the Treasurer. Her salary is \$9,025 per year.

Denise Hogan is the Accounts Receivable Clerk. She has 15 months service with the municipality. Her present salary is \$9,225 per year.

John MacAulay is the Roads Clerk/Stockkeeper. He is also Secretary to the Public Works Committee and Radio Dispatcher. He has been with the municipality for one year and eight months. His salary is currently \$9,519 per year.

Doreen Taylor is also a Roads Clerk and Radio Operator. She has just over four years experience with the municipality. Her salary is now \$10,237.50 per year.

Edith Roberts is the Secretary to the Clerk and Mayor. She has a great many additional duties and, in fact, functions pretty much as an assistant to the Clerk. She has eight years service, and her salary is \$10,600 per year.

Barbara Brown is the municipality's Payroll Clerk. She also attends the public at the counter and types some correspondence for the Treasurer. She has been employed here for almost seven years. Her salary is \$10,657.50 per year.

Ethel Stanford is the Property Clerk. She has eight years service with the municipality. Her current salary is \$10,657.50.

Irene Williamson is the Accounts Receivable Clerk for the Treasurer. She is also responsible for Tax Collection. She has a total of nine years experience and is presently earning \$10,972.50 per year.

Susan Barnes is the Accounts Clerk in the Treasurer's Department. She is responsible for the bookkeeping work. She has been employed by the municipality for ten years. Her annual salary is \$11,686.50.

Heather Buckley is the Planning Clerk. She has been working here for seven years. Her rate of pay is now \$11,686.50.

Eleven of these 13 staff work in the same general office area, although they report to different people. The two Road Clerks work in another building.

If we list the foregoing information, it looks like this:

<u>NAME</u>	<u>POSITION</u>	<u>EXPERIENCE</u>	<u>SALARY</u>
Betty Atkins	Secretary-Receptionist	10 mos.	\$ 7,833
Fran Jarvis	Office Clerk	2 yrs. 3 mos.	7,833
Pat Fisher	Secretary	5 yrs.	8,715
Chris McKenzie	Accounts Payable and Billing Clerk	3 yrs. 6 mos.	9,025
Denise Hogan	Accounts Receivable Clerk	1 yr. 3 mos.	9,225
John MacAulay	Roads Clerk/Stockkeeper	1 yr. 8 mos.	9,519
Doreen Taylor	Roads Clerk	4 yrs.	10,237
Edith Roberts	Secretary	8 yrs.	10,600
Barbara Brown	Payroll Clerk	7 yrs.	10,657
Ethel Stanford	Property Clerk	8 yrs.	10,657
Irene Williamson	Accounts Receivable Clerk	9 yrs.	10,972
Susan Barnes	Accounts Clerk	10 yrs.	11,686
Heather Buckley	Planning Clerk	7 yrs.	11,686

In accordance with past practice, everybody's salary is raised once a year, effective on January 1st. Last year, everyone got a 7% increase, largely because the unionized employees received 8% and two small local industries gave a 7% increase to their non-union employees. It took the Administration Committee of Council three long meetings to agree on a recommendation for 7%, most of the debate being about individual perceptions of the quality of the work of each employee. They finally concluded that, since this was meant to be an "economic" increase to be granted across-the-board to everyone, it was not the time to make distinctions among individuals on staff, and the recommendation was approved.

This did not, however, solve the problems that had become evident during the discussions. Councillors and senior staff had some specific concerns about office staff as well as some salary and organization questions that had to be answered. For example, everybody liked Betty, the Receptionist. She had been there less than one year, but she was very bright and was obliging and helpful to other staff. It seemed to be a popular idea to recognize her in some way that everybody, particularly her co-workers, would see as fair.

Another problem centered around Edith Roberts, the Clerk's Secretary. She was an invaluable asset to the municipality, but she was threatening to quit. The reason for her dissatisfaction was her feeling that she was not being paid fairly in relation to Susan Barnes, the Accounts Clerk and Heather Buckley, the Planning Clerk. There was certainly some agreement with her point of view, but how to do something about it without being completely arbitrary and perhaps creating other problems, was another question. Finally, Edith made a written complaint to Council, and this really brought matters to a head.

As a result, Council requested the senior staff to examine the salaries of all thirteen office staff and to come up with a scheme that would solve the problems they found. In the words of the resolution, the task was to come up with "a method by which office staff salaries could be made rational and fair and their salary treatment automatic".

WHAT TO DO

All of a sudden, the Clerk and the Treasurer had quite a job on their hands. Neither one was an expert in salary matters, but both had had to react to several salary problems over the years. The situation they now faced, however, was a little different. They were being asked to examine the whole area of office salaries, not just an isolated incident. They decided that the first step should be to describe just what it was they wanted the salary review to achieve. The following are the objectives they laid down for themselves.

First of all, the present problems had to be resolved. Was Edith Roberts correct in her belief that the work she was doing was worth as much to the municipality as the work of Susan Barnes and Heather Buckley? Following a great deal of discussion of this question, the answer seemed to be to make a distinction between different levels of work, if there were, in fact, different levels of job difficulty in the organization. If different levels of work could be identified, it would help to solve the present problem, and also avoid potential problems of a similar nature in the future. One objective of the exercise, therefore, was to determine whether different job levels could be identified, how many such levels there were, and to describe these levels.

There were also some other inconsistencies in the salaries being paid. These were not major problems, but puzzling little differences that did not seem to make much sense. For example, was there a valid reason why Chris McKenzie made \$200 less than Denise Hogan, yet had been there for almost two years longer? Was the fact that there was a difference of two years in length of service enough reason to justify the \$800 difference in salary between the two Roads Clerks, John MacAulay and Doreen Taylor? The jobs are virtually the same and are in the same office. Why does Pat Fisher earn less than Chris McKenzie when she has more experience?

The reasons for these apparent inconsistencies were not easily seen, but they had to be either explained or corrected. It seemed to be fair to recognize the worth of on-the-job experience in some way, but in a way that was consistent and fair, not haphazard and prejudiced. Some preliminary research had indicated that salary ranges were used by many employers to accomplish just that objective. Thus, the second objective became to determine whether a system of salary ranges would solve the problems being experienced, and to develop salary ranges that would be appropriate for use by the municipality.

The small amount of preliminary research that had been done at this time had revealed that there was a large variety of sensible and practical solutions that could be applied to the situation in the municipality. To introduce these solutions on a wholesale basis could result in significant extra costs for the municipality and, in other instances, reductions in the rates of pay of some staff. Neither of these possibilities would be acceptable. Therefore, the third objective became to ensure that any new pay system would not result in decreasing the pay of any employee and that any increased costs resulting from implementation of a new system would be as small as possible.

WHAT WAS DONE

1. Describing the Jobs

Earlier in this bulletin, the point was made that a realistic pay structure would help a municipality to ensure that its rates of pay are competitive with rates paid by other employers. In order to be competitive, it is necessary first to compare rates with other employers. And rates cannot be compared alone -- that would be meaningless. The jobs themselves must also be compared.

It is a common mistake in this process to exchange this vital information on the basis of job title alone. This is a dangerous practice. The same job title can mean quite a different thing to each of the two employers exchanging the information. It is the actual content of the job that is important -- not the title.

It was also necessary for the municipality to get a good fix on just exactly what was involved in each job. Although the Clerk and Treasurer knew, or thought they knew, what all thirteen people were doing, they admitted that they might overlook some aspects of some jobs when it came to judging and evaluating all of them at the same time. They also thought it would be a good idea to have the staff involved in the process, so that they would not feel threatened by what could be seen as another secretive, mysterious, management plot. Thus, the employees themselves would have a hand in the project and feel that they were part of it. The project would stand a much greater chance of success.

Finally, in more general terms, it was an ideal opportunity to get up-to-date job descriptions. The employees were simply asked to describe their own jobs in their own words and in whatever format was most comfortable for them.

Describing the jobs, then, is the first step in establishing a pay structure. A previous bulletin, No. 35 - "Job Descriptions: Make Them Simple And Useful"

describes the process in some detail. Municipalities should find it helpful in preparing their own job descriptions. Once reasonable descriptions of all jobs are available, the next step can be approached with confidence.

2. Separating The Levels

It almost goes without saying that, while most jobs are different, especially in smaller organizations, they should not all be paid a different rate. For example, it would be foolish to suggest that each of the many thousands of employees of the Province of Ontario should be paid at a different rate. But it would be equally foolish to suggest that they all be paid at the same rate.

Having described the jobs, the next step was to go through a process of evaluation to help determine which jobs should be paid the same rate. There were thirteen clerical jobs in the municipality and there were ten different pay rates for these jobs. But, as indicated above, it was not realistic to think that there were ten different levels of job difficulty. Surely some jobs, although different in the type of work, were equally difficult and thus worth the same to the municipality.

The challenge, then, was to see how the jobs might be grouped together. Each group of jobs would represent a level of difficulty, responsibility and skill in such a manner that the difference from one level to the next could be easily recognized -- by everyone. In other words, jobs that were of virtually the same worth or value to the municipality would be in the same group.

There was nothing really complex or scientific about this part of the exercise. It was basically an exercise in ranking based on the job descriptions that had been prepared and on the now valid understandings of the jobs that were held by the Clerk and Treasurer. The process went something like: -- "Job A does work of about the same difficulty as Jobs B and C; Job D is more complex and is more like Job E", and so on.

As a result of this exercise, the thirteen jobs fell into only three levels. And there were justifying reasons. As the merits of each of the jobs were being discussed, certain features kept coming to the surface. One of these features was decision-making. Some jobs did not involve making any decisions. Others made rather simple decisions, such as deciding whether something was right or wrong, or to which category it belonged; once this decision had been made, an established procedure could be followed. Still other jobs were involved in making judgements about a variety of circumstances or in dealing with more complicated issues when there are no established rules to follow. Thus, it had become obvious that the type of decision-making required in the job was a primary factor in identifying job levels.

Another feature that became evident was the knowledge that a person would require in order to be able to handle the job in a satisfactory manner. At one end, this amounted to a requirement for common sense together with the ability to follow guidelines that were reasonably straightforward. Jobs at the middle level required an ability to follow a large number of different types of rules and procedures. At the other end of the scale, a fairly broad knowledge of the municipality and the services provided was necessary in order to judge certain situations.

Other factors that emerged as being important in differentiating between levels were the possibility and likely results of making errors, and the responsibility for dealing with the public, including the nature of the contact and the type of person contacted.

(There are, in addition to the foregoing, some very formal systems of job evaluation that are quite sophisticated and highly complex, but they are only feasible in large organizations. They are inappropriate and far too expensive for smaller organizations. The

evaluation system in a small municipality should be simple, straightforward and informal. It should never be seen as being inflexible or absolutely final. Most important, it should reflect the municipality's own system of values. It should reflect the way in which the municipality sees the jobs in terms of their worth relative to one another.)

The three levels that resulted from this analysis were described by the township as shown below.

FACTORS TO BE CONSIDERED IN
EVALUATING OFFICE SUPPORT JOBS

Level 1

Work involves providing factual information in person, by telephone or by standard form letter. Misinformation may be readily corrected or may result in some embarrassment to senior staff or inconvenience to the public.

Supervision is provided and advice is given where judgement must be exercised.

Knowledge of general office procedure is required.

Level 2

Work is carried out independently and generally involves carrying a process through to completion. Such processes may involve assessing information for completeness and comparing information against standards for compliance or eligibility; maintaining records and files; exercising judgement in instances where information does not conform to normal requirements.

Errors may result in complaints to senior staff or council, delays in obtaining approvals, over or under payment of funds.

Knowledge of municipal functions and processes, of provincial legislation, local by-laws is normally required.

Level 3

Work is characterized by a high level of independence and entails the carrying out of more than one process from start to finish.

Decisions are made when assessing situations to determine appropriate action in light of available alternatives in matters of importance either to members of the public or to council.

Thorough knowledge of procedures, regulations, past practices, legislation and its interpretation in a particular area is necessary to the degree where senior staff and council will often request advice.

Errors may, therefore, result in faulty actions on the part of senior staff and council.

3. Seeing How The Jobs Fall

When the foregoing standard was applied to the jobs in the township, a simple diagram was prepared to show how the jobs, the incumbents and the salaries fit into a three-level structure. The diagram is reproduced on the following page.

Something that was mentioned earlier is illustrated very nicely in the diagram, and that is the danger of using job titles without accompanying job descriptions. For example, Level 2 and Level 3 both contain a position entitled Secretary. The difference is, the Secretary in Level 2 is a secretary in the normal sense of the word, while the Secretary in Level 3 has much more responsible work in that she acts as an assistant to the Clerk in addition to secretarial duties. This emphasizes the importance of using job descriptions and the danger of using titles alone.

4. Deciding What Improvements Could Be Made

Having a picture of what the situation really looked like, the next steps involved determining how rational the structure in fact was, and how it could be made more rational and have as many as possible of the desirable qualities of good pay structures while causing as little disruption as possible to existing salaries and salary relationships. This process, designing the pay structure, takes into consideration several features that must reflect the philosophy and policies of the employer. The design of the pay structure required careful consideration of the objectives the municipality wanted to achieve. The following were the things that were considered.

A. The Hiring Rate

The hiring rate is the first feature of the pay structure that should be considered. (The hiring rate is the rate that is paid for inexperienced help for the most junior

Level 1

SECRETARY
RECEPTIONIST
ATKINS (10 MOS.)
\$7,833

OFFICE
CLERK
JARVIS (2 YRS. 3 MOS.)
\$7,833

Level 2

SECRETARY
FISHER (5 YRS.)
\$8,715

ROADS
CLERK
TAYLOR (4 YRS.)
\$10,237

ACCTS. PAYABLE &
BILLING CLERK
MCKENZIE (3 YRS. 6 MOS.)
\$9,025

PAYROLL
CLERK
BROWN (7 YRS.)
\$10,657

ACCOUNTS RECEIVABLE
CLERK
HOGAN (1 YR. 3 MOS.)
\$9,225

PROPERTY
CLERK
STANFORD (8 YRS.)
\$10,657

ROADS CLERK/
STOCKKEEPER
MacAULAY (1 YR. 8 MOS.)
\$9,519

ACCOUNTS RECEIVABLE
CLERK
WILLIAMSON (9 YRS.)
\$10,972

Level 3

SECRETARY
ROBERTS (8 YRS.)
\$10,600

ACCOUNTS
CLERK
BARNES (10 YRS.)
\$11,686

PLANNING
CLERK
BUCKLEY (7 YRS.)
\$11,686

position in the municipality, usually a recent graduate of high school.) A municipality has an unspoken obligation to establish a hiring rate that is fair to the community. The rate must not be too high or too low, for political as well as practical reasons -- the municipality should not be seen as either overpaying or underpaying its employees. The hiring rate should be fair and reasonable to the person that is being hired and to other employees, especially those who have been hired recently. If there is a union for other employees of the municipality, the hiring rate should not create problems relative to union rates of pay.

In our case, one employee had been hired within the past year at a rate of \$7,500. (since increased to \$7,833.) without any real difficulty. This rate was completely satisfactory to the employee. Information obtained concerning rates of pay paid by other employers confirmed that this figure (\$7,833.) was quite reasonable and was acceptable in the community as a hiring rate. Thus it had been determined that there was, at least, one valid feature about the municipality's pay practices -- the hiring rate.

This seemed to be a very good starting point from which to build the remainder of the pay structure. It was also decided that this was the rate at which, in the future, inexperienced applicants would be hired. (N.B. Establishing a hiring rate does not mean everyone must be hired at that rate. Applicants with experience, for instance, should be hired at higher rates -- so long as the rate is not unfair relative to the rates of existing employees.)

B. Salary Ranges and Increases

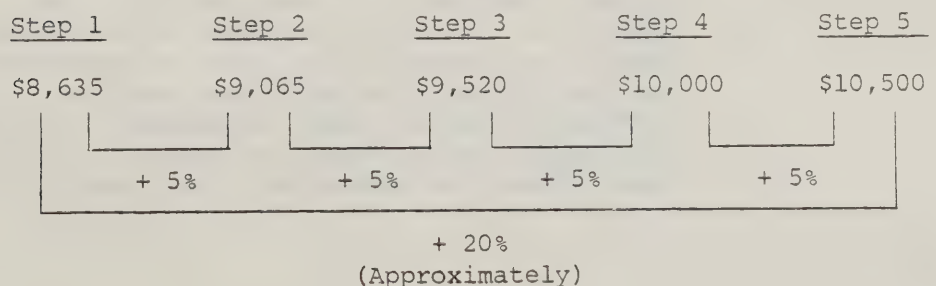
The next question to consider was the size of the salary range for each level. The salary ranges had to be big enough to do two things; include all existing rates of pay, and allow for "merit" increases. As far as existing rates of pay were concerned, the salary range for level 1 had only to include the two positions at \$7,833. The

range for level 2 had to include positions being paid from \$8,635 up to \$10,973. And for level 3, the range had to include positions from \$10,600 to \$11,687.

The second consideration, as mentioned above, was increases. The concern was not for the kind of increases that are given at the same time to everyone, because of economic (cost-of-living) factors or because the union just got an increase. The concern was for increases that are granted individually to recognize each person's performance or merit. The size of such an increase was felt to be very important. In order to have any impact, a salary increase must mean something to the employee -- it must have a noticeable effect on the pay cheque. If an increase is only a token gesture, it will likely not have the desired effect of rewarding and motivating the employee. Experience has shown that increases must be about 5% or more if they are to be meaningful, and most organizations, including municipalities, that do have formal pay programs give increases of this size.

In addition, experience has also shown that these increases should be available to employees for a period of four to five years. This allows increases to be given all the time the employee is growing with the job, but it also recognizes that it must end somewhere; increases cannot just go on and on forever. The municipality would not be able to afford it. After considering all of this information, the municipality decided that, for its circumstances, it would be best to provide salary ranges that would permit increases of five percent to be given once a year for four years. This meant that each salary range would be about 20% in size.

A salary range would look like this, using round numbers.



(Many organizations, including a large proportion of Ontario municipalities, do not use salary ranges; they use only a single rate for each position. This can be a disadvantage because single rates have been known to bend to pressure from the employees themselves when they want increases. Single-rate systems for office staff seldom are accompanied by a formal policy, and thus there is no effective device to control salary costs. The case municipality used a single-rate system, and this was one of their problems.)

C. Progression From One Level To The Next

The next thing that was considered was how the pay structure should allow for an employee to progress from one level to the next; for example, be promoted from Office Clerk to Roads Clerk. It was felt by the municipality that, where an employee is promoted and asked to take on additional responsibilities, there should certainly be a higher rate of pay available to recognize this. Once again, it was necessary to take a look at what the practice was among other employers where promotion was concerned. It was found that, generally speaking, other employers agreed that when an employee is promoted, which is quite a significant event, it should be to a salary range which is significantly and recognizably higher. In most cases, this turned out to be about ten percent. This would allow not only for an increase on promotion, but also for future merit increases. Thus, the municipality decided that there should be a 10% difference between level 2 and level 3.

D. Salary Range Steps

One final matter that the municipality considered was the actual steps in the salary ranges. It was decided that, in order to allow for smooth progression from one level to another, the salary ranges had to be compatible with one another -- they actually had to mesh together. In fact, the steps should be the same. This would mean that, on changing from one level to

another, salary treatment could continue smoothly rather than be subject to different types of treatment at different levels.

All of the above factors combined to ensure that the pay structure was consistent. It would allow for equal pay treatment in equal situations. It would be fair to all employees in terms of the type, frequency and size of salary increases. It would be able to accommodate a system for the regular and equitable administration of the pay of the municipality's office staff.

5. Calculating the Pay Structure

Having made all the decisions that are described in the preceding section, all that remained to be done was to calculate the actual salary range for each level. One of the first decisions that was made was the decision to retain \$7,833 as the hiring rate and to build the pay structure from there. Another decision that was made, was that there would be a 5% difference between steps in the pay ranges. Thus, using some simple arithmetic and rounding the figures off to the nearest \$5 for the sake of convenience, the salary range for level 1 looked like this.

Level 1 - Salary Range

Minimum				Maximum
Step 1 (Hiring Rate)	Step 2 (After 1 year)	Step 3 (After 2 years)	Step 4 (After 3 years)	Step 5 (After 4 years)
\$7,833	\$8,225	\$8,635	\$9,065	\$9,520

The procedure for building the salary ranges for levels 2 and 3 was a little different. There was no "hiring rate" from which to begin. But one of the decisions that had been made, as described in the preceding section, was that there should be a 10% difference between one level and the next. It had also been decided that, the same steps should be used in the salary ranges wherever possible. (It is common practice, in salary administration, to calculate the difference between salary ranges at the maximum rates and this is what was done in the case municipality. Calculations were then made backwards from the maximum to obtain the first four steps. The same result can be obtained by adding the 10% difference to the minimum.)

Thus, the salary ranges for levels 2 and 3 looked like this:

Level 2 - Salary Range

Minimum				Maximum
Step 1	Step 2	Step 3	Step 4	Step 5
\$8,635	9,065	9,520	10,000	10,500

Level 3 - Salary Range

Minimum				Maximum
Step 1	Step 2	Step 3	Step 4	Step 5
\$9,520	10,000	10,500	11,025	11,575

Analysis of these salary ranges will show that all of the principles that were discussed and decided upon are satisfied by these ranges. For example, the ranges are fully compatible in that steps 3, 4 & 5 of level 1 are the same as steps 1, 2 & 3 of level 2; steps 3, 4 & 5 of level 2 are the same as 1, 2 & 3 of level 3.

IMPLEMENTATION OF THE NEW PAY STRUCTURE

The chart on the following page shows how the pay rates of all the existing employees fit into the new pay structure. The first thing you will notice is that, with the exception of Atkins and Jarvis, who were paid at the hiring rate from which the whole structure was designed, none of the existing pay rates fell exactly on any of the new steps. But this was not seen as a serious problem; it was not essential (in fact it was highly unlikely) that the new structure would fit exactly. Where a salary did not coincide with a step, it could be moved to a step at the time of the next individual increase. For example, at the time of her next increase, Chris McKenzie could be given an increase to Step 3. Edith Roberts could be moved to Step 4 or Step 5 (she is already above Step 3) depending upon her performance.

One of the criteria that the new pay structure was supposed to meet was that the salary ranges had to be big enough to include all existing rates of pay. As you can see from the chart that follows, this simply did not happen. Brown, Stanford, Williamson, Barnes and Buckley all came out being paid more than the maximum for their respective salary ranges. But this was because of poor practices in the past. The municipality decided that this was not a good enough reason to justify enlarging the salary ranges just to include five people who, as it turned out, were really being overpaid. At the same time, the municipality did not feel that it would be fair to cut these salaries just to bring them back in line with the pay ranges.

Resolution of this particular problem was left to the economy. The rates assigned to the steps of the salary ranges are not, of course, permanent. They must move up along with the rates paid by other employers and with the economy in general. As this happens, the five employees who are paid above the maximum rates will not receive increases until they are within the salary range. Then they would be paid at the maximum rates, and be eligible to receive future increases as the rates move up.

RANGES OF CASE MUNICIPALITY

(SHOWING HOW PRESENT SALARIES OF STAFF WILL FIT IN)

LEVEL 1	<u>STEP 1</u> 7,833 ↑ Alkins and Davis \$7,833	<u>STEP 2</u> 8,225	<u>STEP 3</u> 8,635	<u>STEP 4</u> 9,065	<u>STEP 5</u> 9,520
LEVEL 2	<u>STEP 1</u> 8,635 ↑ Fisher \$8,715.75	<u>STEP 2</u> 9,065 ↑ McKenzie \$9,025	<u>STEP 3</u> 9,520 ↑ Hogan \$9,225	<u>STEP 4</u> 10,000 ↑ Taylor \$10,237.50	<u>STEP 5</u> 10,500 ↑ Brown & Stanford \$10,557.50
					Williamson \$10,972.50
LEVEL 3		<u>STEP 1</u> 9,520 ↑ Maculay \$9,519	<u>STEP 2</u> 10,000	<u>STEP 3</u> 10,500 ↑ Roberts \$10,600	<u>STEP 4</u> 11,025 ↑ Barnes and Ruckley \$11,686.50
					11,575

NOTE: Employees do not have to have their pay changed to the new rates as soon as the new plan is put into place. This can be done in either of two ways: 1) at the next time the whole pay structure is given an increase or 2) at the time of each employee's next individual increase. For most employees, this will mean a larger than normal increase; for example, Fisher, Hogan, Taylor and Roberts. An employee whose pay is above the maximum (Brown, Stanford, Williamson, Barnes and Buckley) will receive only enough to bring her to the new maximum (Step 5) at the time of the next general increase.

COSTING THE NEW STRUCTURE

Whatever benefits a new, rational pay structure might bring for the administration of a municipality, sooner or later the cost of the new system must be taken into consideration, because there will be a cost. A proposal to council, as with all proposals, must contain an indication of the cost. And there must be some form of measuring stick by which to determine whether the cost is worth it.

The costing process used by the case municipality was not difficult. It was decided to put the new system into effect on January 1st, which is the same date that the municipality gives a general increase to everybody (to keep up with inflation, union rates and rates paid by other employers). Individual salaries were also changed on that date, and the following things took place.

1. The size of the general increase did not matter, because everyone would receive it whether or not the new pay structure was introduced.
2. Atkins and Jarvis stayed at Step 1 of Level 1. There was no additional cost to the municipality.
3. Fisher and McKenzie would move to Step 2 of Level 2. This was an additional annual cost to the municipality of \$389.25.
4. Hogan and MacAulay would move to Step 3 of Level 3. This was an additional annual cost to the municipality of \$296.00.
5. Taylor would move to Step 5 of Level 2. This was an additional annual cost to the municipality of \$262.50.
6. Brown, Stanford and Williamson would move to Step 5 of Level 2.

This was an annual savings to the municipality of \$787.50. (The rates of pay of these three people were not reduced. They simply received less of a general increase. For example, with a general increase of 7% the new Step 5 for Level 2 was \$11,235. Brown and Stanford each received an increase of \$577.50, which brought their salaries to \$11,235. If they had received the full 7%, their increases would have been \$746.00 each.)

7. Roberts moved to Step 4 of Level 3. This was an additional annual cost to the municipality of \$425.00.
8. Barnes and Buckley would move to Step 5 of Level 3. This was an annual savings to the municipality of \$223.00.

When the above costs and savings were put together, the net cost to the municipality of implementing the new structure was only \$362.25. Added to this cost, of course, would be the cost of individual increases given on employees' anniversary dates during the year. And the cost of these is only the amount actually spent during the year. For example, a \$500. increase awarded on July 1st results in an additional cost for that year of only \$250.00. When provision for these individual, or "merit", increases were made, the total cost still only came to \$1,866. This is certainly not bad on a total annual payroll of \$128,649. when you consider what it has purchased; a systematic, rational system of paying employees, thereby helping to control costs.

KEEPING THE SYSTEM UP-TO-DATE

It is not enough simply to introduce a new pay structure and then forget about it -- it must be kept up to date. If it is not kept up to date, it won't be very long before the structure begins to break down and you will find yourself back in the same kind of situation that the pay structure was developed to correct. Keeping the structure up to date should not be a problem because it is orderly, rational and easy to administer. In fact, keeping this type of structure current will likely be easier than trying to cope with whatever system existed previously.

The most important thing to do is to keep informed about what is happening with rates of pay elsewhere in the organization and in other organizations. It is necessary to review the pay structure at least once a year to make sure that rates are in line with the union, with other municipalities and with other local employers. You must be sure that the rates paid by your municipality are competitive and fair relative to the rates paid by others.

The levels your jobs are assigned to should also be examined periodically. Sometimes jobs do change significantly because of addition or deletion of duties on a gradual basis or even suddenly, perhaps because of a change in legislation. In any event, there will likely be situations, sometime in the future, when you will have to change a job from one level to another because of those changes.

The important thing to remember is that the pay structure should reflect the situation as it exists in your municipality. As the situation changes, so must the pay structure. If you do not keep your pay structure up to date on a regular basis, sooner or later it will deteriorate to the point where you will have to start from scratch all over again.

Our next bulletin in this two-bulletin series will describe how to administer the

pay structure. In it, we will discuss such matters as differentiating between "general" and "merit" increases, what to do on promotion, what happens when an employee reaches the maximum rate for the level, and several other topics that will help to realize full benefit from a pay structure.

ARE YOUR EMPLOYEES PAID FAIRLY?

Normally, when any employer examines its own salary practices, one of the things it does is compare with other employers to find out how their rates of pay compare. In the municipality that has been described in this bulletin, the concern was first and foremost to get the internal salary relationships in order. External comparisons with other employers were just not possible at the time. Consequently, the township decided to delay external comparisons for a short period of time. The intention was, however, to make external comparisons a part of each subsequent review of the salary structure. This section describes the process that is involved in this very important area.

Pay is a subject that is dear to everyone's heart. And experience has shown that most employees will not become unhappy with their pay as long as it is in line with the pay of the other employees in the organization. This will continue to hold true even if the rates paid by another employer are slightly higher. But it stops being true as soon as the rates paid by other employers become a great deal higher! When this happens, the morale of the staff will begin to drop and some staff will resign to accept better-paying jobs elsewhere.

Most employers, including municipalities, have no desire to exploit their employees by paying them wages and salaries that are too low. In fact, the opposite is true -- they want to pay reasonable rates. Employers tend to notice when unfairness occurs among rates of pay within their own organization. This may be because an employee complains or it may be noticed when rates of pay are reviewed. But these same employers do not seem to notice when their rates fall behind what is being paid by others in the community. This is probably because there is a procedure of some kind for dealing with pay internally, but not for checking what jobs are worth in the outside market.

Once you have decided that you would like to find out about the rates that are paid by other employers, there are several things you will have to do and several decisions you will have to make. First, you will have to decide which organizations you want to get in touch with in order to obtain information about rates of pay. These normally fall into two categories.

The first category is other municipalities. This is natural because they are involved in the same business as you and understand the circumstances and problems that you face. They also are likely to have jobs that are very similar to the ones that you have. A handy reference tool to use in selecting other municipalities to contact is the Municipal Directory. From this you can select municipalities that are similar to you in type (i.e., towns, townships, villages, etc.) in population size, in area and in geographic location. You should not select municipalities that are too far distant, because the economy of that area may be totally different from yours, and this would likely be reflected in rates of pay. You should select a relatively small number (say under 10) of other municipalities to contact because if you select too many, there is a danger that the process will become too complicated. The general rule is select only a few, but select very carefully.

The second category is other local and area employers -- employers that use the same sources as you do to hire new employees and that hire the same type of employees that you do. Always make sure that you include the major employer in the municipality, because it likely has the greatest single affect on rates of pay. Use employers that have working conditions that are similar to those in your office. This would include schools, banks and insurance offices, just to mention a few. But do not include organizations that have completely different operations to yours. For example, you would not likely find jobs similar to yours in a lumber mill or in a toy factory (although the office jobs there might be all right to use). Keep in mind that this category is the more important of the two -- it represents the local situation far more accurately than other municipalities.

One thing you will find when you start to gather pay information is that the exercise is not a one-way street. You must be prepared to tell other employers what your rates of pay are if you expect them to give similar information to you. Pay surveys (and that is what you are doing here) do not consist simply of gathering information -- they consist of exchanging information. So be prepared; have all of your own pay information in front of you before you start to contact other employers.

It is at this point that the value of the job descriptions you have already prepared will begin to become evident. Whether you gather your information in writing, in person or via telephone, you will find that other employers will not provide or exchange information on the basis of a job title alone. They will want additional information about the duties and responsibilities of the job. They will want to be sure that they are giving and receiving information about the same job. This benefits you as well because, if you obtained information on the basis of an improper match of jobs with the other employers, you could end up overpaying or underpaying your own employees. So keep your job descriptions handy when you start your survey.

The information that you obtain will be used to develop your own pay structure so great care should be exercised to make sure that it is accurate. Some of the questions to ask are: Does the job have a salary range? If so, what are the minimum and maximum? Does the range have steps? If so, what are the steps? What is the present rate of pay of the employee? What types of increases do you give to your employees? On what basis and how often are they granted? The answers to these questions will help you not only to establish rates of pay, but to establish the other characteristics of the pay structure, such as salary ranges. Remember that the object of the exercise is to keep your pay rates in line with those of other employers and, in order to do this, you must know what all the pay practices of those other employers are. Because of the importance of this phase of the exercise, do not be afraid to ask for confirmation or clarification if a rate you have obtained appears too high or too low or

if other information seems to be unusual.

One area to which you should pay extra close attention is that of an employer's hiring rate for new, junior employees who have little or no experience. In many cases, especially very small municipalities, this may be the only point that you will have where a comparison can be made with other employers. In many cases, the hiring rate will be the focal point around which the entire pay structure will be built. The hiring rate must be fair to the community, to other employers, to any union employees you may have and, most of all, to the people who are applying for jobs. The importance of the hiring rate cannot be overemphasized, and you should treat it with careful attention.

There are two other sources of information that you should not overlook. The first is your own union employees (if you have any). You certainly don't want to do anything with the salaries of your office employees that will cause a conflict with union rates. The second is a survey that is provided on an ongoing basis by the Association of Municipalities of Ontario. Actually, there are four surveys: Administrative Staff, Clerical Staff, Outside Workers and Full-Time Firefighters. (Clerical Staff, of course, is the one that should be used for office staff.) If you do not have these surveys, you may find out how to obtain them by writing to the Association at Suite 902, 100 University Avenue, Toronto, Ontario M5J 1V6.

This bulletin was prepared in the:

Municipal Administration Branch
 Ministry of Intergovernmental Affairs
 3rd Floor, Mowat Block
 Queen's Park
 Toronto, Ontario
 M7A 1C2 Tel. 416-965-3514

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OSHAWA

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